

MuhlenkampMemorandum

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On December 31, 2005, the Net Asset Value of the Muhlenkamp Fund was \$84.44, up \$5.47 for the year, plus an income dividend of \$.75655 per share. [Click here to see the current Net Asset Value of the Muhlenkamp Fund.](#)

Quarterly Letter

by Ron Muhlenkamp



Three months ago, we warned that "if the refineries which were shut down for, or by, the hurricanes are too slow coming back up to full capacity, we may have shortages of gasoline for a period measured in weeks."

Our warning was unnecessary. With operations worldwide, the major oil companies were able to import enough gasoline (in place of crude oil) to keep Americans supplied. Prices jumped and (for a while) we used less gasoline, but usage is back up to normal and prices are nearly back to where they were pre-Katrina. For their efforts, executives of the major oil companies received a political tongue-lashing from Congress, but that's probably in their job description.

I'm writing this letter just before Christmas, but our summary of six months ago remains the same. The economy is growing nicely; when we see the data on Christmas sales, it will help our assessment.

Inflation remains roughly at 2%. Given that, interest rates and stock prices are fair.

We continue to research good companies, selling at reasonable prices. 

The comments made by Ron Muhlenkamp in this article are his opinion and are not intended to be investment advice or a forecast of future events. Copies of past newsletters are available on our website at www.muhlenkamp.com.

Announcements

2005/2006 IRA Contributions

Contributions can be made to your IRA for tax year 2005 by the due date for filing your 2005 tax return, not including extensions. For most people, this means contributions for 2005 must be made by April 17, 2006. This includes Traditional, Roth, and Coverdell Education Savings Accounts (CESA). When making a contribution between January 1st and the due date for filing your tax return, we suggest that you specify the year for which you are making the contribution. Too many people realize too late that they made a current year contribution (i.e. the year in which the contribution is actually received), and not a prior year contribution (i.e. the year for which they are filing their return). If you have any questions about this, please call us at (877) 935-5520, ext 4.

Traditional and Roth IRA contribution limits are \$4,000 for both tax years 2005 and 2006. "Catch-up" contributions are \$500 for tax year 2005 and \$1,000 for tax year 2006. If you need more information, IRS Publications 560 and 590 are good sources. You can download copies of these publications at <http://www.irs.gov>.

CESA annual contribution limits are \$2,000 for each beneficiary. Please refer to IRS Publication 970 for more information.

Remember: it's not too early to begin funding your 2006 IRA. Equity returns compounded over long periods can be truly amazing.

Please join us at The World Money Show, February 1-4, at the Gaylord Palms Resort in Orlando, Florida.

Ron Muhlenkamp will conduct the following workshops: *Investing: Where to Look, What to Pay;* and *Where to from Here?*

Ken Dupre, investment analyst, will address: *Back to Basics – How to Make Money in the Current Investment Climate;* and *Optimizing Investment Performance – Helping Investors Become Better Investors.*

Lisa Muhlenkamp-Cox, southeast regional manager, will deliver: *How to Choose a Money Manager.*

To register for free admission, simply call (800)970-4355 or visit www.moneyshow.com and reference priority code #005073. While at the show, please be sure to stop by our exhibit booth (#1205).

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Muhlenkamp & Company, Inc.
Intelligent Investment Management

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'Tis the Season (to be planning)

by Steve Bierker, Client Service Department



We frequently receive calls from shareholders who have questions about planning for retirement. A common theme revolves around whether it is best to make elective salary deferrals within an employer sponsored plan, or if a self-directed IRA makes more sense. With the New Year underway, we think it's important to review the options.

A summary of the 2006 provisions for employer sponsored plans follows:

Employer Sponsored Plans 2006 Provisions

Employer Sponsored Plan Type	Salary Deferral Limit	Age 50+ Catch-up*	Employer/Employee Combined Limit**
Simple IRA	\$10,000	\$2,500	100% of Compensation
SEP IRA	NA	NA	\$44,000
401(k)	\$15,000	\$5,000	\$44,000 or 100% of Compensation
403(b)	\$15,000	\$5,000	\$44,000 or 100% of Compensation
457(b)	\$15,000	\$5,000	\$15,000

* Individuals 50 years old and older are allowed additional contributions

** Subject to employer match limitations, excludes age 50+ catch-up amounts

As a general rule, you should at least participate in your employer's plan up to the level of any matching contributions. The company match provides an immediate return even before you've chosen how to invest! If you have the capacity to save more, choosing between your employer's plan and a self-directed IRA becomes more complex.

Some questions to consider:

- Does your employer plan provide access to a sufficient menu of top quality investment managers?

Limited investment manager options can make the convenience and potentially larger contribution limits of an employer plan very expensive in the form of poor investment returns over time.

- Are the fees competitive?

Although many employer plans don't have direct charges for participation, every plan

has underlying investment management expenses. Some plans have additional administrative costs that are layered into the expense structure. High fees will erode the performance returns of even the best investment managers.

- Do you expect to be with the employer for a long time, or is it a transitional job?

If you think you may be with a company for a long time and their plan is substandard, understand the trade-offs before committing significant portions of your retirement savings. If you expect to have a new employer in the foreseeable future, a substandard plan may still be a good idea if the contributions limits exceed what you could do through an IRA. Most plans allow participants to rollover their assets tax deferred to a self-directed IRA once the employment relationship is severed. Be sure to check!

- Do you have someone other than your spouse listed as beneficiary?

Certain employer sponsored plans have less attractive distribution options for non-spousal beneficiaries. In these types of plans, distributions to your beneficiary may be "lump sum" or "accelerated," potentially exposing your beneficiary to a large tax bill. Inherited IRAs on the other hand, allow distributions to be stretched over the expected remaining life of the beneficiary, potentially reducing the tax impact.

- Does your employer sponsored plan provide features that are not available with an IRA?

Some employer plans may offer features such as the ability to borrow against your account balance without triggering an immediate tax liability. If you think you may need access to the funds before retirement, and expect to have the capacity to pay them back, an employer sponsored plan may be more appropriate.

Now, let's turn our attention to IRA accounts. One of Ron Muhlenkamp's *Basic Financial Maxims I Want My Kids to Know* is:

"Fund your IRA every year – early if possible. Invest in an equity or total-return mutual fund. Equity returns compounded over long periods can be truly amazing."

With Traditional IRAs, the amount you contribute is normally tax deductible. The price you pay for that benefit is that upon distribution, the withdrawals are taxed as ordinary income. By contrast, a Roth IRA is funded with after-tax dollars, and so long as certain conditions are met, the distributions are not taxed upon withdrawal. Bottom line: If you expect to be in a lower tax bracket upon retirement, a Traditional IRA may make more sense. If you think you may be in an equivalent or higher tax bracket, a Roth IRA provides certainty that the

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full amount you accumulate will not be subject to further taxation.

A summary of the 2006 provisions for Traditional and Roth IRA accounts is shown at right.

For both Traditional and Roth IRAs, be sure to review eligibility requirements in IRS Publication 590; they include such things as your filing status, income level, and whether you're covered by a qualified employer plan. It's important to remember that even if you don't qualify to make an IRA contribution, your spouse may still be eligible even if they don't earn any income.

Best wishes for the New Year, and please give us a call if you would like assistance in planning your retirement. ☒

Traditional and Roth IRA 2006 Provisions

Account Type	Contribution Limit*	Age 50+ Catch-up**
Traditional IRA	\$4,000	\$1,000
Roth IRA	\$4,000	\$1,000

* Cannot exceed total compensation

** Individuals 50 years old and older are allowed additional contributions

Steve Bierker, CFA joined the Client Service Department of Muhlenkamp & Company, Inc., in June 2005.

The information in this article represents the opinions of the author, and is subject to change; any forecasts cannot be guaranteed.

For Additional Information:
We suggest visiting our website at

www.muhlenkamp.com, and reviewing the *Muhlenkamp Memorandum* archive. In issue #61, Anthony Muhlenkamp provides an overview of how IRAs work; and in issues #66 and #67, he discusses "The Importance of IRA Beneficiary Designations." Further, in *Muhlenkamp Memorandum* #71, Susen Friday provides an "Overview of Retirement Plan Options for Small Business."

Retirement Plan Distributions

by Susen Friday, Client Service Department



There are two occasions when a participant will be faced with making a decision about taking a distribution from a 401(k) or other qualified plan:

- The participant has left a job for reasons other than retirement; or
- Retirement.

In the first instance, there are four avenues that participants may take regarding the assets in the plan of their former employer.

- Roll over the assets to an IRA;
- Roll over the assets to another qualified plan;
- Leave the assets in the plan; or
- Take a lump sum distribution.

Roll Over Assets to an IRA

Normally, the best alternative is to roll your plan assets into an Individual Retirement Account. IRAs are available through most investment vehicles, thereby offering the participant the

greatest degree of flexibility. The participant is no longer constrained by the limited investment choices presented by the plan of their former employer.

Many participants do not roll their qualified retirement plan accounts to an IRA due to the process being quite cumbersome. It usually involves two sets of paperwork, one for establishing the IRA account and another to initiate the distribution from the plan. Once the paperwork is completed, there is often a lag time as each entity processes that paperwork. As a result, many participants become confused and frustrated.

This is becoming much easier for the participant as many plan providers offer this service online. In many cases, the current provider can make this available through either the fund family they work with or through independent facilitators. In some cases, an IRA rollover account can now be established with the mere click of a mouse.

As with choosing any investment, the participant must exercise due diligence to insure that the investment they choose meets their needs.

Roll Over Assets to a Qualified Plan

The next option is to roll the assets from the prior plan into the plan of the new employer. This is possible only if the plan of the new employer accepts rollovers from other qualified plans.

Leave the Assets in the Plan

Some plans allow participants to choose to leave their assets in the plan for a variety of reasons. Some participants may not have been aware that they were eligible to participate, (in which case the employer has made contributions), or may have simply forgotten about it. Others may leave their assets in the plan by choice.

New rules went into effect as of March 28, 2005 for those accounts with balances

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Investment Seminar – November 9, 2005

Questions and Responses

At our seminar on November 9, 2005, Ron Muhlenkamp presented "Where to from Here?" to an audience of clients, shareholders and prospective investors. Afterwards, he entertained questions from the audience. Following is a sampling of the "Q&R" session. For the unabridged edition, please visit www.muhlenkamp.com.

About the Economy...

Are you concerned about the trade deficit?

...The trade deficit? Or do you mean the financial surplus?

I've got a trade deficit at the grocery store. I've got a trade deficit at the gas station. I've got a trade deficit with my barber. Every place where I buy, I have a trade deficit.

Trade has helped the world for two thousand years; it helps the consumer. As consumers, we're all benefiting from trade with China, just as we have with Japan for 30 years. As producers, it makes it tougher on us. If you are trying to produce and sell to China, it's a pretty tough road; but, as a consumer you are benefiting. Free markets benefit the consumer. Managed markets are usually geared to benefit the producer.

All the things that you are hearing about China today, you heard about Japan in the 1970s. China is a little bigger, but the arguments are the same. What we found out was, as the Japanese got prosperous, the people were no longer willing to work 60 hours per week and live in rabbit hutches; things leveled off. Today, the Chinese are willing to work unlimited hours and to live cheap, and we're benefiting from that.

The fact that the Chinese are buying our Treasury Bonds doesn't bother me. Remember when Japan bought Pebble Beach -- and Rockefeller Center? I saw the prospectus on Rockefeller Center. They paid three times what it was worth. You didn't hear the Rockefellers complain!

I suspect that one of these days China will buy fewer of our Treasury Bonds and will start buying Pebble Beach and Rockefeller Center, and we'll go around this loop again. We came out pretty well with the Japanese; I suspect that we'll probably come out pretty well with the Chinese.

You talked about interest rates. Would you talk a little bit about an inverted yield curve?

We've had 10 recessions since World War II. Each of them was triggered by, not necessarily caused by, but triggered by the Fed slowing the economy down on purpose -- usually to get inflation down. A common sign of doing that has been when the Fed drives short-term interest rates above long-term [interest] rates. That is called an inverted yield curve. (Normally, long-term interest rates are somewhat above short-term rates because, after all, when you go out farther in time there is less certainty.)

There were a couple of times in the 1980s when the yield curve inverted because long rates fell through short rates. All through the 1980s the Fed followed rates down, rather than leading them down. I remember my old boss calling me and saying, "Ron, the yield curve is inverted. We're headed for a recession." I responded, "But the reason it's inverted is that as inflation came down, long rates fell below the short rates." Folks, you know that any time you take a ratio, you lose information. There are different drivers for short-term and long-term rates.

Earlier, we tried to show you that long rates react to inflation, and that short rates are heavily dominated by the Fed. The fear today is that the Fed is at 4%; the long bond is at about 4.6%. So if the Fed were to increase [short-term rates] by a quarter point three more times, we would invert the yield curve. I doubt they will do that on purpose because it sends

out a red flag to too many people in my business. If it does happen, I think they will adjust it back because an inverted yield curve has been a great sign for 50 years now that the economy is about to slow down, and that you probably want to be out of the stock market. That very fact means to me that they probably won't do it. Not on purpose.

Talk about how demographics may affect consumer spending in the next several years.

Most of you look like baby boomers, so I'll ask you: What do you spend money on that you don't haggle over price? Health care? I know people who work like dogs all year round, and then brag about how much money they spend on vacation. For a while, it was titanium golf clubs... Harley-Davidsons. My brother-in-law goes to watch a Cincinnati Reds game which is a hundred miles away and complains about the price of gasoline. He doesn't complain about the price of the tickets, beer, or hot dogs. Notice how many people complain about the price of gasoline? How many complain about the price of beer? Beer is more expensive than gasoline. We complain about the things we call the necessities; we don't complain about the luxuries.

If you are not sensitive on price, guess where the margins are? Coca-Cola makes three times the money, based on their investment, than does Exxon. Anheuser-Busch makes four times the money in return on equity, (four times the money relative to assets invested), than Exxon does! Nobody complains about the price of beer or Coca-Cola.

Water is more expensive than beer and Coca-Cola. Would you have believed 10 years ago that people are paying the price they are for water? Connie and I bought a farm. It's got an outside spigot. We thought it would be neat to hang a tin

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cup on the spigot... except, young folks won't drink water out of a well, or out of a tin cup. It's got to be out of a bottle! If you can tap into these things, you can make a whole lot of money.

It never occurred to me that people might buy stocks without haggling price. That was the great American fad of 1999 - buying stocks, regardless of price. The money they dropped into the stock market in 1999, they have been putting into housing over the past couple of years. What it will be next year, I don't know.

About Stock Selection...

You're still bullish on homebuilders. With everything I read and hear in the media, I'm getting concerned. Please comment.

We have owned housing stocks since April of 2000, when they were selling at four times earnings. At that time, we knew a slowdown was approaching - probably a recession -- and we figured that earnings would get cut in half. The big surprise was they didn't. In the ensuing year, the stocks doubled. Subsequently, some person in the media, (I should have kept track of who it was), observed "Housing stocks have doubled; it must be a bubble." And the media has been on this track ever since.

We own six different housing stocks; of the five we bought in 2000, each is up greater than seven times. These stocks are still trading at eight times earnings! What does this tell you?

- We own what we believe are well-run companies.
- They are earning about a 20% return on shareholder equity (ROE).
- They are working off six-month backlogs.

We have been expecting for two years that the number of houses built would level off. Remember, however, that the public companies -- which are the big companies -- keep getting market share from the little guy. Think about it: Every neighborhood has a guy who likes working outdoors, likes swinging a

hammer. He works a 60-hour week, he hires a few friends, he doesn't pay them health insurance or benefits. And, yes, it's very hard for an organized company to compete with the man with a hammer who likes building houses. But, the guy who likes to swing a hammer doesn't like to stand in a line at city hall to get the permit. So, as a consequence, the top 10 home builders in the country have increased their market share. Fifteen years ago, they had about 10% market share; today, it is around 25%. We think it's on its way to 35%-40%.

The media knows what the price of housing stocks has done. And because of the fact that these stocks have moved up so nicely, they say "Gee, there must be a bubble." But the media doesn't look at the underlying value of the companies! I'm sure there is a bubble in houses in places like Naples, Florida, and northern California and parts of Long Island and maybe Miami. There is no housing bubble in Pittsburgh.

This past October, we had a decent correction in the marketplace. If you owned housing stocks, you got your head handed to you. If you owned energy stocks, you got your head handed to you. The things that corrected in October were the things that had been up the most. There is a lot of quick money out there, whether it is hedge funds, or day traders, or what have you, and they took it out of the gainers in October. So we bought some more energy stocks, and we bought some more housing stocks at the end of October. And here's why: We think we've got good companies at cheap prices -- and what I learned a long time ago is that if you can buy good companies at cheap prices, do it. Sooner or later the economics will bear out. The media has given us the chance to continue to buy these things cheap, and we think we're buying them cheap.

Is your investment style value-oriented or growth-oriented?

Both; growth is part of the value calculation. Everybody wants to own a growth stock at a value price, including us.

There are two core ways of investing money.

- One is to say I know what a fair value is, and if I can buy it below that price and sell it above that price, I will do okay.
- Other people say they have no idea what a fair value is, but can determine trends.

Chances are if you were good at fashions in high school, you may be good at trends in the stock market. I am not good at fashions. We don't own any fashionable retailers because that game changes fast, and for reasons that I don't comprehend. Nevertheless, there are people who are good at that.

There is more than one way to skin the cat. You've got to know what you are good at and what you are not good at. We stick to the things we know because that is the only way we can potentially get you reliable returns.

What are your basic valuation criteria? Explain a bit about what return on equity is, how you figure it, and why it is important.

Our initial screen is looking for good companies at reasonable prices. We like to find companies with a 14% or greater return on equity (ROE), and a price-to-earnings ratio (P/E) less than the ROE.

Why ROE? If management has the best interest of shareholders in mind, they use ROE as their minimum hurdle rate for investing. Think of it as the return generated on the assets the shareholders have given them. If management has no projects that meet this criterion, they should invest in themselves by buying back company stock. As such, ROE is a proxy for the ability to finance future earnings growth. A high return on equity suggests that there is high-quality management.

We want a P/E less than the ROE, because you can turn a good company into a bad investment if you pay too much.

Anybody here go to auctions? Why do you go to auctions? To get a good deal, right? Are you telling me that all prices at

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auctions are cheap? Sometimes they go wild, right? Oh, so you must go for the volatility. After all, if you wanted reliable prices, you'd go to Wal-Mart, right?

Know the key to getting a good deal at an auction? Know exactly what you want, and what you are willing to pay for it. And if it gets above your price, you quit. When the auctioneer suggests starting the bidding at \$50, do you put your hand up right away? No! And if it gets to half of what you are willing to pay, do you put your hand up right away? No!

Folks, the New York Stock Exchange is an auction market. If you want to understand the markets, go to auctions. But you must know what you want, and what you are willing to pay for it. We want an ROE over 14%. Fourteen percent is an average, so we want something better than average. And then we want a P/E below the ROE.

Set your criteria and set the price you are willing to pay for it. And if it gets beyond that price, put your hand in your pocket and go to another auction next week. And tomorrow, the New York Stock Exchange will be open again. If you want to understand stocks, go to auctions. It's the best I can tell you.

About the Muhlenkamp Fund...

Do you own any investments outside the Fund?

Along with Connie and the bank, I own a farm. I also own a couple of motorcycles, a couple of tractors, and the mutual fund. And if I did own anything outside the Fund, I'd own the same stocks.


At what point will the inflows and the growth of the Fund impact performance?

Folks, six or seven years ago when we were looking for good values, they were mostly in the stocks of small companies. A month ago, we ran a screen and looked at 6,000 stocks. The criteria included a minimum ROE of 14%, revenue growth over 10%, and a P/E below the ROE. That

translates into very good companies that are growing nicely, at cheap prices. We were surprised to discover that two thirds of the results were names in the S&P 500. That means there are a couple of things going on out there:

- First of all, a lot of financial planners, based on the crops growing so well since April, have been selling the likes of Coca-Cola and Gillette. They are selling large-cap growth stocks [or mutual funds] and are buying mid-cap value stocks [or mutual funds], or international equities.
- Also, a lot of pension plans are buying into an academic argument that if you've got liabilities 30 years out, they should be offset with 30-year assets. And the assumption is that it should be a bond asset, not a stock asset.

So you've got pension funds selling stocks to buy bonds, and you've got financial advisers selling the big growth stocks to buy the little stuff... and we're starting to see good values crop up in the big stuff. And folks, it's our job is to exploit whichever way those funds flow.

Today, we're finding more values in big stocks than we are in little stocks. And with big stocks, managing assets of \$3 billion is not a problem. If we get to the point when we've got more money than we have good ideas, then we would look at closing the Fund. Right now, we have more good ideas than we've got money. 

Return on Equity (ROE) is a company's net income (earnings), divided by the owner's equity in the business (book value). Price/Earnings Ratio (P/E) is the current stock price divided by the earnings per share.

Announcements

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2005 Distributions

An income dividend of \$.75655 per share was paid on December 29, 2005 to shareholders of record on December 28, 2005. IRS Form 1099-DIV will be issued during January 2006 to all taxable accounts that received a dividend in excess of \$10.00. There was no capital gains distribution for the Muhlenkamp Fund for the year ended December 31, 2005.

REMINDER:

For all redemptions of \$50,000 or more from any account, the signature(s) on the redemption request must be guaranteed by an "eligible guarantor institution." These include banks, broker-dealers, credit unions and savings institutions. A broker-dealer guaranteeing signatures must be a member of a clearing corporation or maintain capital of at least \$100,000. Credit unions must be authorized to issue signature guarantees. Signature guarantees will be accepted from any eligible guarantor institution

that participates in a signature guarantee program. A notary public is not an acceptable guarantor.

Please refer to the most recent Prospectus for additional information.

Muhlenkamp & Company, Inc. Relocating Wexford Office

On Tuesday, January 17, 2006 Muhlenkamp and Company, Inc. will open for business in a new location.

We will be moving from Stonewood Commons building 3000 to building 5000 which is just across the parking lot. All Muhlenkamp Fund correspondence should still be sent to our transfer agent, U.S. Bancorp in Milwaukee, WI. If you have a private account with Muhlenkamp and Company, please note the address change in your records. Our main phone number and fax number will remain unchanged.

Our new address:
Muhlenkamp & Company, Inc.
5000 Stonewood Drive, Suite 300
Wexford, PA 15090
Phone (724)935-5520
Toll-free (877)935-5520
Fax (724)935-4720

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Retirement Plan Distributions

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between \$1000 and \$5000. These rules were mandated by the Economic Growth and Tax Relief Reconciliation Act of 2001. As a result, qualified plans must either amend their document to keep the accounts in the plan or roll over distributions of between \$1000 and \$5000 to an IRA for those participants who have not made a distribution election. The plan sponsor will then choose a default investment in which Individual Retirement Accounts will be set up in the participant's name. The investments chosen will most likely be "low risk", such as money market accounts or certificates of deposit.

For those who find themselves in this situation, it would probably be in their best interest to let the plan sponsor know who they would like their IRA provider to be and initiate a rollover. It would also be a good time to consolidate the balances from

the plans of several employers into one Individual Retirement Account.

Note: In most cases, if the balance is less than \$1000, the assets will simply be cashed out.

Those participants who are either terminated from service or retired, and choose to leave their assets in the plan may do so for a variety of reasons.


- As a result of the size of the plan the fees may be cheaper than an IRA with another custodian.
- Some may want to retain one or more assets that are not available to the retail investor.
- Exemption from the early withdrawal penalty at a younger age 55 for a 401(k) as opposed to 59½ from an IRA.

Take A Lump Sum Distribution

Unfortunately, too many participants select the lump sum distribution. Many feel that they have not been in the plan

long enough to accumulate a sizable account, while others may need the money for living expenses if they have no other income.

No matter what the reason, they pay a steep price for their decision. Such distributions are subject to 20% federal withholding as well as a 10% early withdrawal penalty if the participant is not yet 55 years old. In this situation, the plan sponsor is required to provide information concerning the above consequences of a lump sum distribution.

Folks who change jobs frequently and elect the lump sum distribution from the plans they have participated in could find themselves with limited resources for their retirement. 

The information in this article represents the opinions of the author and is subject to change; any forecasts cannot be guaranteed.

Average Annual Returns as of 12/31/05***

	One Year	Past 3 Years	Past 5 Years	Past 10 Years	Past 15 Years	Since Inception 11/1/1988
Muhlenkamp Fund						
Return Before Taxes	7.88%	25.76%	11.74%	15.83%	17.10%	14.61%
Return After Taxes on Distributions**	7.55%	25.62%	11.66%	15.59%	16.78%	14.24%
Return After Taxes on Distributions and Sale of Fund Shares**	5.12%	22.48%	10.23%	14.26%	15.71%	13.33%
S&P 500**	4.91%	14.39%	0.54%	9.07%	11.52%	11.59%

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be found on our website at www.muhlenkamp.com.

*After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your situation and may differ from those shown. Furthermore, the after-tax returns shown are not relevant to those who hold their shares through tax-deferred arrangements such as 401(k) plans or IRAs.

*Returns subject to change pending valuation of qualified dividend income percentage.

**The S&P 500 is a widely recognized, unmanaged index of common stock prices. The figures for the S&P 500 reflect all dividends reinvested but do not reflect any deductions for fees, expenses or taxes.

*****Click here** to see current performance information for the Muhlenkamp Fund.

Information contained in this newsletter does not constitute an offer to sell, or a solicitation of an offer to buy shares of the Muhlenkamp Fund, nor shall any shares be offered or sold to any person in any jurisdiction in which such offer, solicitation, purchase, or sale would be unlawful under the securities laws of such jurisdiction.

Mutual fund investing involves risk. Principal loss is possible.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The Prospectus contains this and other important information about the investment company, and it may be obtained by calling (800) 860-3863, or visiting www.muhlenkamp.com. Read it carefully before investing.

The Muhlenkamp Fund is distributed by Quasar Distributors, LLC.

Coming Soon...



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Inside this issue:

- Investment Seminar
November 9, 2005
- Questions and Responses
(to be planning)
- Retirement Plan Distributions

"Long-term investors will learn much from Ron Muhlenkamp's thoughtful reflections on what he has learned about investing over a thirty-year period of successful practice."
– Milton Friedman

"Ron Muhlenkamp has one of the most original, insightful minds in the financial world today. His record is superb. You will find his book a richly rewarding read."
– Steve Forbes

Call 877-935-5520 ext. 4 or visit www.muhlenkamp.com for details.

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